Innovating today. Transforming tomorrow.

Mizuho Dealer's Eye

June 2025

Mizuho Bank, Ltd.

Global Foreign Exchange Department

Hiroshi Matsunaga, Forex Sales, Global Foreign Exchange Department

U.S. Dollar – June 2025

Expected Ranges **Against the yen: JPY140.50–148.50**

Outlook for This Month

The dollar/yen pair is expected to bounce back in June on hopes about tariff negotiations and the FRB’s prudent stance towards rate cuts.

On May 29, the US Court of International Trade (CIT) struck down the tariffs that the Trump administration had implemented under the International Emergency Economic Powers Act (IEEPA). A federal appeals court subsequently stayed the ruling after the government filed an appeal, with both sides then asked to file a written response. It will take some time before the hearing is concluded, so in the meantime investors will be monitoring how the Trump administration responds to the ruling. President Trump has not invoked IEEPA powers to justify tariffs on specific products, so these tariffs are not covered by the CIT’s ruling. As such, the administration could proactively apply tariffs on specific products going forward. If it does so, the dollar might weaken on renewed concerns about an economic slowdown in the US. However, the markets are hoping to see progress in talks between with Japan and other major nations before the grace period for extra tariffs comes to end in July, so the greenback is unlikely to fall sharply on the tariff issue.

When the minutes to the May FOMC meeting were released late May, they revealed that a majority of members were concerned about rising prices, with these members calling on the FRB to take a prudent approach when it came to policy shifts. Concerns about an economic slowdown do not seem to be warranted judging from the recent US hard data. Furthermore, comments made by NY FRB President John C. Williams and some other officials late May suggest the FOMC will keep policy fixed when it next meets over June 17–18. Given this, the FOMC seems unlikely to drop any hints about rate cuts, as it had done in previous meetings, with the dollar unlikely to undergo any one-sided selling.

The Bank of Japan (BOJ) Monetary Policy Meeting will be held on June 16–17. It will probably maintain its medium-term rate-hike stance, though it is not expected to provide any specific information about monetary policy going forward, so the meeting is unlikely to impact the markets in any significant way.

Dealers' Market Forecast

(Note: These opinions do not necessarily agree with the other contents of this report.)

Bullish on the dollar	9 bulls	148.50 – 141.00	Bearish on the dollar	7 bears	147.00 – 140.00

* Ranges are central values

Seki	Bull	148.60 – 142.00	Trade talks are ongoing and there hopes that progress will be made before the G7 meeting. As such, a risk-on mood looks set to prevail in June too. However, there are lingering concerns about the US's finances, with the dollar/yen pair's topside likely to target the pair's May high as investors focus on the progress of US budget negotiations.
Yamazaki	Bull	149.50 – 139.00	The dollar/yen pair will move firmly. There are also a lot of yen long positions, so there will be some resistance on the downside. The pair will continue to be swayed by headlines about US tariffs.
Nagano	Bull	147.00 – 141.00	The suspension of reciprocal tariffs will run out early July. As this deadline looms, the dollar/yen pair will continue to move erratically on the results of tariff negotiations. However, the tariffs will inevitably have a negative impact on the US hard data, with investors likely to test the pair's downside as they move away from the dollar.
Kato	Bull	148.50 – 142.00	The dollar/yen pair will continue to be swayed by headlines about President Trump. Japan/US tariff talks look set to settle down as both sides find room to compromise. When it comes to real demand in Japan, there were probably be more buying than selling of foreign currencies.
Toriba	Bear	148.00 – 139.00	It will take more time to resolve the issue of Trump tariffs. The FRB's next move will probably be to lower interest rates given the negative impact of these tariffs on the real economy. The dollar/yen pair will be highly susceptible to US risk, so investors should be ready to "sell on rally."
Yamaguchi	Bull	148.00 – 142.00	The yen strengthened in April on risk aversion related to Trump tariffs. However, these gains were pared back in May. June will probably see a flurry of substantial trade deals, with the dollar/yen pair likely to continue trading somewhat firmly.
(Tomoko) Yamaguchi	Bull	149.00 – 142.00	Negotiations about Trump tariffs continue between the US and other countries, with the situation unlikely to deteriorate any further. Under these circumstances, investors will probably sit back to monitor the impact of the extra tariffs announced from April onwards. If US economic indicators move firmly, the dollar/yen pair will be bought back.
Matsunaga	Bull	148.50 – 140.50	The US hard data has not deteriorated as much as feared, with the dollar also likely to move firmly on the FRB's cautious stance towards rate cuts. The greenback will also be supported by hope for progress in tariff negotiations.
Katoono	Bear	147.00 – 139.00	There is likely to be a flurry of deals about Trump tariffs ahead of the G7 meeting, but dollar buying is unlikely to continue as long as some tariffs remain in place. The Trump administration might make some tough comments ahead of the July deadline for talks, so investors should be on guard against deteriorating sentiments.
Okuma	Bear	147.00 – 140.00	With no end in sight when it comes to the Trump administration's tariff measures, concerns about a US economic slowdown are growing on deteriorating labor-related indicators. If US indicators continue worsening, expectations will grow for earlier FRB rate cuts, with the dollar/yen pair set to trade with a heavy topside.
Ito	Bear	145.00 – 140.00	It will be difficult to reverse the dollar-selling trend brought on by Trump tariffs. The data is also slowly starting to point to a US economic slowdown. Under these circumstances, the dollar/yen pair will move bearishly as the greenback weakens. The pair is also likely to trade with a heavy topside for technical reasons.

Han	Bull	148.00 – 140.50	The dollar has been sold, but it will be bought back as concerns ease on progress in negotiations over Trump tariffs. US consumer sentiments are showing signs of improvement and this will also support the dollar/yen pair.
Suzuki	Bear	147.00 – 140.00	Tariff concerns are easing off, but the dollar will be hard to buy given bond market instability and pressure by President Trump for rate cuts. The BOJ will probably want to continue lifting rates if things progress in line with its forecast, with the dollar/yen pair set to trade with a heavy topside.
Nishi	Bear	145.00 – 139.00	The US Court of International Trade put a block on Trump tariffs, but the impact of this will only be temporary. The dollar/yen pair will continue to be swayed by tariffs, with the future uncertain. US/EU negotiations will also be stormy, with the dollar/yen pair set to trade with a heavy topside.
Harada	Bear	147.00 – 141.00	Amid deep-rooted uncertainty about the Trump administration's tariff policies, the dollar/yen pair will continue to be swayed by headlines. With around one month remaining until the grace period for extra tariffs comes to end, the dollar/yen pair looks set to move bearishly on concerns about a US economic slowdown amid stormy negotiations with each country.
Matsuki	Bull	148.00 – 141.00	Investors will find it hard to actively buy the dollar as they focus on tariffs and fiscal risk. However, there is unlikely to be any shocks like we saw in April. In fact, the dollar/yen pair will probably move firmly on positive news, with the US likely to strike several trade deals ahead of the mid-June G7 meeting.

Yoshiki Shima, Global FI Team, Global Foreign Exchange Department

Euro – June 2025

Expected Ranges **Against the US$: US$1.1100–1.1500**
Against the yen: JPY160.00–165.00

Outlook for This Month

The euro/dollar pair is expected to move bearishly this month on the divergent monetary policies of the US and EU together with the risk of an economic downswing on US tariffs. When it last met in April, the ECB cut rates for the sixth straight meeting. At +2.2% y-o-y, the recent Harmonised Index of Consumer Prices (HICP; an index referenced by the ECB) was close to the +2% inflation target. The recent fall in energy prices and the strong euro will help to cool inflation, with the ECB likely to implement a further -25bp rate cut when it meets over June 4–5. In the US, meanwhile, comments from FRB chair Jerome Powell and other officials suggest there is near unanimity about the need to remain in wait-and-see mode for now (the exception being FRB governor Christopher Waller, who recently shifted in a dovish direction), with FRB officials expecting the situation to deteriorate when it comes to both the labor market and inflation. At +6.6%, the one-year-ahead expected inflation rate in the May Michigan University Consumer Sentiment Index was at a very high level. With consumer inflationary expectations remaining high, the FRB will find it hard to lower rates, even if the labor market deteriorates. Under these circumstances, market expectations for two rate cuts within the year will gradually wear off. As the divergence in monetary policies becomes starker, the euro/dollar pair's topside will gradually edge lower.

On May 23, President Trump said US/EU trade negotiations were going nowhere and he slapped a 50% tariff on EU imports. In the end, President Trump pushed back the deadline for negotiations to July 9 following a phone call with European Commission president Ursula von der Leyen, but the risk of a tariff-induced economic downswing continues to smolder, with the currency pair likely to trade with a heavy topside.

Furthermore, non-commercial positions in the IMM currency futures market registered 79,474 long positions as of May 27, their highest level for around eight months. Given this, it seems more positive factors (such as progress in US/EU trade talks) will be needed to push the euro higher. At the same time, if concerns about a tariff-induced eurozone recession are not eased, then investors will probably move to unwind their euro long positions.

Dealers' Market Forecast

(Note: These opinions do not necessarily agree with the other contents of this report.)

Bullish on the euro	7 bulls	1.1600 – 1.1100	Bearish on the euro	9 bears	1.1450 – 1.1000

* Ranges are central values

Seki	Bull	1.1600 – 1.1100	There are concerns about US finances and faith in dollar assets are being shaken. Under these circumstances, the euro/dollar pair is likely to move firmly in the long term. However, there are hopes that the US will make progress in its trade talks with each nation. With the ECB also continuing to cut rates, it seems the pair's topside will be capped this month.
Yamazaki	Bear	1.1500 – 1.0900	The euro/dollar pair will swing lower this month. The pair looks set to move weakly and flatly. Its rise will be halted by the strength of the dollar economy, with the pair set to trade somewhat bearishly. Investors should monitor headlines.
Nagano	Bull	1.1650 – 1.1150	The euro/dollar pair will rise as investors move away from the dollar on tariffs and worsening US hard data. The EU also faces some concerning factors, including stormy US/EU tariff negotiations, so the pair will only undergo a gentle rise.
Kato	Bear	1.1400 – 1.1000	The euro/dollar pair will continue moving in a range overall. President Trump is moving slowly but surely towards striking a deal, with the pair likely to move in a range with some slight dollar bullishness.
Toriba	Bull	1.1800 – 1.1100	The market themes will be Trump tariffs and other US factors, with no particular factors emerging on the EU side. With the dollar moving bearishly, the euro/dollar pair will inevitably be sought by investors.
Yamaguchi	Bear	1.1450 – 1.1000	The April trend of euro bullishness and dollar bearishness has taken a breather, with the euro/dollar pair moving between $1.11–1.14 in May. The US will probably announce several major trade deals in June, with the currency pair set to move with a slightly heavy topside.
(Tomoko) Yamaguchi	Bear	1.1450 – 1.0950	The euro was bought heavily in April and it remained at highs in May. The euro will be bought on dollar selling, but there are concerns about the future of the EU economy, so the ECB might continue to cut rates. The euro/dollar pair will move with a heavy topside.
Matsunaga	Bear	1.1400 – 1.1050	With the EU releasing some bearish PMIs, for example, one would be hard pressed to say the European economy is moving firmly, with the fundamentals pointing to a shortage of factors conducive to further euro buying. If US/EU tariff negotiations kick off in earnest, the euro/dollar pair will gradually edge lower.
Katoono	Bull	1.1600 – 1.1150	The EU will face stormy tariff negotiations with the US, but there are also ongoing moves away from the US, with the euro likely to move firmly in its capacity as a refuge currency. If tariff talks show signs of progress toward mid-June, investors will test the euro/dollar pair's April highs at times.
Okuma	Bull	1.1600 – 1.1150	There are no signs of things cooling when it comes to US tariffs and there has been a notable increase in the number of counties diversifying investment away from the dollar. With inflation cooling in Europe, the euro looks set to move firmly as it reaps the benefits of this move away from the dollar.
Ito	Bear	1.1500 – 1.1000	The euro is rising on the dollar's weakness, but it seems President Trump will sharpen his attacks on the EU from here on, so the euro/dollar pair will gradually weaken.

Han	Bear	1.1400 – 1.1000	Despite the recent strength of some economic indicators, the fundamentals suggest there is a shortage of euro-buying factors. The euro/dollar pair's topside will also be capped by concerns about US/EU trade negotiations.
Suzuki	Bull	1.1600 – 1.1100	There are concerns about the EU economy and the lack of progress in tariff talks, but the euro will continue to be bought by those selling the dollar on US uncertainty. As such, the euro/dollar pair looks set to move firmly.
Nishi	Bull	1.1600 – 1.1100	As investors focus on moves away from the dollar, the euro/dollar pair looks set to move firmly. Though a court has slammed the breaks on some tariffs, the dollar will still face selling pressure. US/EU trade talks are also likely to be troubled, so sentiments are unlikely to shift.
Harada	Bear	1.1450 – 1.1150	There has been progress in US/EU trade negotiations, but there are growing concerns that the eurozone economy might slow on the impact of the Trump administration's tariff policies. Though the FRB has kept rates fixed, the ECB continues to lower rates, with the euro/dollar pair likely to weaken on these divergent monetary policies.
Matsuki	Bear	1.1500 – 1.0000	Eurozone monetary policy and fundamentals suggest the euro/dollar pair is unlikely to rise further. The dollar will probably be bought back on the results of US tariff talks with each nation, with the pair likely to move with a heavy topside.

Motoki Amanuma, Europe Treasury Department

British Pound – June 2025

Expected Ranges **Against the US$: US$1.3100–1.3600**
Against the yen: JPY189.00–199.00

1. Review of the Previous Month

The GBP/USD pair temporarily traded in a range mid-May, but it was then supported by UK-driven factors, including progress at a UK/EU summit and the decline of moves to price in rate cuts, with the pair eventually breaking out of its range on the topside.

The pair moved with a lack of direction early May amid a lack of noteworthy factors. On May 6, Friedrich Merz faced a revote after he failed to get enough votes to be elected chancellor in the first round of voting in the German parliament. The euro was sold heavily for a time and the pound was bought as a refuge currency, with sterling also soaring against the dollar. The greenback then strengthened on May 7 after the FOMC reiterated that it was in no rush to lower rates. As expected, the BOE implemented a -25bp rate cut when it met on May 8, but the voting record struck a hawkish tone, so expectations for a June rate cut fell significantly.

Though dollar assets had been sold, this trend was sharply unwound on May 12 on news of a tariff agreement between the US and China, so the dollar rose across the board. The GBP/USD pair also moved bearishly to break out of its range on the downside. However, the greenback weakened again on May 14 on speculation that President Trump would discuss guiding the dollar lower to gain a trading advantage. The GBP/USD pair returned to trading in a range, with its losses pared back.

The following week saw news that Moody's had downgraded the US's credit rating on May 19. During this time, the pair rose after the UK/EU summit reached an agreement on agriculture, fisheries and several other areas. The UK April CPI data was released on May 21, with the headline, core and services figures all topping market expectations. After entrenching itself in the upper part of its range, the currency pair moved bullishly toward the weekend to break out of its range on the topside at the weekend.

With the markets on holiday at the start of the final week, the dollar climbed on news that President Trump was postponing sanctions on EU imports, with the pair then undergoing some adjustment. However, the pair then rallied with its upper resistance line as its downside, with the pair moving bullishly on the whole throughout the month.

2. Outlook for This Month

In June, the GBP/USD pair is expected to move with a heavy topside at highs. The BOE will be meeting on June 19, but bets on a rate cut have fallen from 60% last month to close to zero in the swap markets. This is mainly because several key BOE members struck hawkish tones at the last meeting, with the April CPI data also swinging sharply above market forecasts. This hawkish stance included comments to the effect that the BOE might actually leave rates fixed if uncertainty about US tariffs clears up. Behind this are expectations for growth in the UK, with the BOE having particularly high hopes for the real estate market, which is expected to see some reforms. Specifically, there is likely to be some streamlining when it comes to administrative processing and environmental regulations related to construction, with investment opportunities set to increase as urban plans (including the regions) are implemented and impediments to building are removed. The BOE is expecting brisk demand and it upgraded its forecast for real estate investment from 2.75% to 5% in 2026 and from 2.75% to 6% in 2027.

Returning to the short term, and a glance at recent economic indicators shows the UK PMI data moving below 50 for the past three months. If the UK continues to post weak figures, investors may start pricing in rate cuts again as growth forecasts are lowered. The CPI data is moving strongly, so if growth remains low, the prospect of stagflation will come into sharper focus, so perhaps market expectations for rate cuts have receded too much. Compared to fiscal expansion in Germany, the feasibility of the UK's growth story is less clearcut and there is a lot of uncertainty. The US tariff response is still unclear too. The GBP/USD pair is already moving at highs and moves to price in rate cuts have waned sharply, so there will be a lot of downside risk, with sterling potentially moving bearishly on the results of economic indicators or the response to US tariffs.

Ai Ando, Sydney Treasury Office, Asia & Oceania Treasury Department

Australian Dollar – June 2025

Expected Ranges **Against the US$: US$0.6300–0.6600**
Against the yen: JPY91.00–96.00

1. Review of the Previous Month

The AUD/USD pair floated around $0.64 in May.

The Taiwan dollar and other Asian currencies soared at the start of the month, with the Australian dollar also rising. This came after investors focused on the possibility that currencies might also become a factor of trade negotiations with the US. The AUD/USD pair's downside was also supported when the ruling Labor Party won the Australian general election.

During the morning of May 7, Sydney trading time, the pair shot up to $0.6515 on news that China and the US would be holding trade talks at the weekend, though the pair soon dropped back. The greenback was bought back sharply on May 8 on reports about a US/UK trade agreement. The currency pair fell at a faster pace and it dropped to the upper-$0.63 level over May 8–9.

On May 12, it was reported that the US and China had agreed to lower tariffs on each other for a set period. The pair soon jumped to $0.6461, though it then fell to a monthly low of $0.6357. The trend of US-dollar buy-backs was unwound over May 13–14, with the AUD/USD pair climbing. The US then released some bearish April CPI data, while news emerged that US and South Korean government officials had discussed currency policy. The AUD/USD pair subsequently rose to around $0.65, though it then dropped back to the lower-$0.64 mark.

As expected, the RBA implemented a 25bp rate cut when it met on May 20. Its statement and governor Michele Bullock's press conference were both dovish, so the pair broke below $0.64 again. On May 23, President Trump said he was minded to impose a 50% tariff on EU imports from June 1, so the greenback was sold and the currency pair soared to just below $0.65. The pair then rose to a May high of $0.6537 at the start of the following week on news that the 50% tariff on the EU had been postponed, though this buying was short-lived.

Australia's April CPI data was released on May 28. At 2.4% y-o-y, the figure was flat on the previous month but on the market forecast for 2.3%. The trimmed mean also rose to 2.8%, with this also up slightly on the previous month. However, the reaction of the currency pair was muted. With the US dollar bought back towards the month's end, the pair was sold and it dropped to the lower-$0.64 level.

2. Outlook for This Month

The AUD/USD pair is expected to move firmly in June.

Australia's May employment data added 89,000 new jobs, up sharply on forecasts for 22,500 jobs, with the labor participation rate also rising to 67.1%. Though the unemployment rate was unchanged on the previous month at 4.1%, the data gave the overall impression of a strong labor market. The RBA still implemented a 25bp rate cut when it met in May, with its statement and governor Michele Bullock's press conference both striking a dovish tone. The trend of "US selling" continues on a revival of the Trump administration's reciprocal tariffs and a downgrading of the US's credit rating after a package of large-scale tax cuts passed through the lower house. As such, the AUD/USD pair is moving surprisingly firmly, despite the RBA's dovish shift. The pair's downside will also be supported by swelling optimism about China after the US and China agreed to lower reciprocal tariffs for a set period. However, at the time of writing, news emerged that the US Court of International Trade had put a block on the Trump administration's reciprocal tariffs. The direction of the AUD/USD pair could be impacted significantly by how things develop going forward. Investors should continue to monitor headlines related to tariffs.

Yasuko Iwata, Canada Markets Office, Americas Markets Department

Canadian Dollar – June 2025

Expected Ranges	**Against the US$: C$1.3600–1.3900**
	Against the yen: JPY102.50–106.50

1. Review of the Previous Month

At the start of the month, news suggested China had unofficially begun exempting some US goods from tariffs. This led to hopes for an easing of US/China trade tensions, with the US dollar continuing to be sold on risk appetite. As expected, the FOMC left policy rates fixed when it met on May 7. In his press conference, FRB chair Jerome Powell warned that tariffs could lead to higher unemployment and inflation. He insisted the FRB was in no rush to cut interest rates and he said that the US economy was still moving firmly. The greenback was sold after the meeting, with the USD/CAD pair rising to C$1.39. The US April CPI data topped forecasts on its release mid-May. With the consumer expected inflation rate also rising and crude oil prices falling, the US dollar was bought at C$1.4016 and the currency pair continued trading in a range from C$1.39 to C$1.4005.

A major ratings agency downgraded the US's credit rating late May. With Canada's April core CPI data also soaring, expectations for a rate cut at the June Bank of Canada (BOC) meeting fell sharply. Market concerns about the ballooning US budget deficit also grew in relation to a plan to cut taxes. The greenback was sold on the back of all this. The USD/CAD pair then fell to a 7-month low of C$1.36 after President Trump said he was minded to impose a 50% tariff on EU imports, starting June 1 (though this was later postponed to July 9). The US dollar was bought back for a time, but late on May 28 the US Court of International Trade struck down the tariffs that the Trump administration had implemented under the International Emergency Economic Powers Act, so the US dollar was sold again, with the currency pair trading around C$1.38 as of May 29.

2. Outlook for This Month

The Canadian economic indicators released in May already showed the impact of Trump tariffs. This was evident in the April employment data. In manufacturing, a sector seemingly hit hard by Trump tariffs, the unemployment rate deteriorated by -0.1% on the previous month to hit 6.9%, with the number of people in work falling by the largest amount since 2009 (apart from during the pandemic). At -1.4% m-o-m, the March manufacturing sales figure also contracted for the second straight month. Sales of non-ferrous metals and primary metals like aluminum and aluminum products were particularly battered by Trump tariffs to slump by -6.5% on the previous month.

With employment and manufacturing indicators deteriorating this way, the April CPI data also revealed that core inflation had risen by over 3% on the previous year. As such, market expectations for a June rate cut fell sharply (as of May 29, bets on a rate cut at the June 4 meeting stood at around 28%). Though the Bank of Canada (BOC) is expected to keep rates fixed, it is being pushed into making some difficult decisions. On the other hand, the US hard data is yet to show any signs of a sharp economic slowdown, with the markets pushing back their expectations regarding the timing of rate cuts.

In June, the direction of the USD/CAD pair will continue to be swayed by US tariff policies and the direction of negotiations between the US and each country. Funds are fleeing US assets and there are concerns that the US's finance will deteriorate sharply as the economy slows and President Trump passes his 'One Big Beautiful Bill,' with the greenback likely to remain bearish. However, the currency pair's downside looks set to remain at $1.36 on risk related to tariffs and a global economic slowdown, with the situation unlikely to change until Canada announces some details about an economic stimulus package and other domestic policies.

Shuhei Yamauchi, Seoul Treasury Office, East Asia Treasury Department

Korean Won – June 2025

Expected Ranges	**Against the US$: KRW 1,350–1,430**
	Against the yen: JPY 9.79–10.85 (KRW100)

1. Review of the Previous Month

The USD/KRW pair fell in May.

The pair opened the month trading at KRW1436.0. The won weakened and the pair temporarily rose to around KRW1140 on hopes for progress in trade talks with the US, but the Taiwan dollar then soared and the USD/KRW pair also plunged to around KRW1405. With South Korean on holiday, Asian currencies were bought and the pair opened the following week trading at KRW1380.0 on May 7. The pair then bounced back to KRW1400 on a sense that the impact on other Asian currencies would be limited. It then rallied to KRW1415 on May 9 on news that the US and UK had reached a trade agreement. However, exporters strongly sold the dollar at highs, so the pair returned to KRW1400 at the weekend.

The won was bought in the week beginning May 12 as the RMB rose on reports about substantial progress in US/China trade negotiations. However, the greenback saw more buying after the US and China announced they would temporarily lower reciprocal tariffs, so the USD/KRW pair climbed to KRW1420 for a time. The won was bought sharply and the pair fell to KRW1380 on May 14 on news that the US and South Korea had begun serious talks about currency policy. The following week saw the pair falling further on May 19 when the US dollar was sold after the US had its credit rating downgraded. The pair continued moving with a heavy topside in the week beginning May 26 on concerns about the direction of currency policy in trade negotiations. As expected, the BOK cut rates by 25bp when it met on May 29, but won selling was limited and the pair closed the month trading at KRW1375.9 (as of 15:30 on May 29).

2. Outlook for This Month

The USD/KRW pair is expected to move firmly in June.

At the May meeting, the BOK lowered its policy rate by 25bp to 2.50%. The BOK also lowered its 2025 growth forecast from +1.5% to +0.8%.With uncertainty growing on US tariff policies and risk sentiments also worsening on political instability, external and domestic demand both face downside risk. In a press conference, BOK governor Rhee Chang-yong said four of the six board members had voiced support for another rate cut over the next three months, with the bank maintaining support for rate cuts.

There is still a lot of uncertainty about tariff policies, with the US Court of International Trade announcing that many of President Trump's tariff measures were unconstitutional, for example. At the very least, the tariff situation will remain turbulent until the start of July, when the postponement of reciprocal tariffs comes to an end.

Furthermore, South Korea will be holding a presidential election on June 3. There is a lot of political uncertainty and investors will need to keep a close eye on the new administration's policies and the impact on the currency markets.

In June, the USD/KRW pair is expected to move firmly to a certain extent on a self-propelled rally, but there is still a lot of uncertainty and the won could be bought at times, so caution will be needed.

Chen-Long Yang, Taipei Treasury Office, East Asia Treasury Department

New Taiwan Dollar – June 2025

Expected Ranges **Against the US$: NT$29.00–30.50**
Against the yen: JPY4.50–5.00

1. Review of the Previous Month

The USD/TWD pair fell sharply in May.

The pair opened at TWD32.240 on May 2. Speculation then grew that the Taiwanese authorities would shift currency policy to allow the Taiwan dollar to strengthen as part of its trade negotiations with the US. As a result, the Taiwan dollar strengthened by a total of 6.0% in the two business days of May 2 and May 5. News then emerged that a Taiwanese insurance company's foreign asset holdings had hit an equivalent of $767.0 billion, with the majority held in US treasuries and its hedge ratio moving at 65%, a low for recent years. This also became a factor behind US-dollar selling, with the Taiwanese dollar temporarily surging to TWD29.60 against its US counterpart.

With the Taiwan dollar skyrocketing mid-May, Chin-Long Yang, governor of the Central Bank of the Republic of China (Taiwan), held an emergency press conference. During this, he asked market participants to refrain from making "speculative comments" about the foreign exchange market. He blamed market gossip for the Taiwan dollar's sharp rise the past two days and he called for an end to irresponsible conjecture. With the authorities also apparently making some position adjustments, the USD/TWD pair bounced back to TWD30.

Moves away from US-dollar assets gradually increased late May. Taiwanese exporters also sold the greenback at the month's end on the back of robust export orders. As such, the pair dropped below TWD30 again to close the month at this level.

2. Outlook for This Month

The USD/TWD pair is expected to move with a heavy topside in June.

May was another month of erratic trading, with the faith of market participants in US-dollar holding being shaken slightly.

At present, a major Taiwanese life insurance company is working to raise its hedge ratio. Taiwanese investors are also behaving somewhat cautiously when it comes to increasing their purchases of US-dollar-denominated assets. As such, demand for the greenback has fallen compared to before. AI-related demand also remains strong and this has led to hearty orders for semiconductors and other Taiwanese exports, with this also likely to push the Taiwan dollar higher.

However, the Taiwan dollar's sharp rise will negatively impact Taiwanese exporters, so the currency pair's downside will probably be supported by the response of the Taiwanese authorities.

Ken Cheung, East Asia Treasury Department

Hong Kong Dollar – June 2025

Expected Ranges	**Against the US$: HK$ 7.8000–7.8500**
	Against the yen: JPY 17.80–18.60

1. Review of the Previous Month

Beginning in early May, an Asian currency rally—led by the TWD—spread to the HKD market, triggering HKMA FX intervention to sell HKD at 7.75 to uphold the USD-HKD peg. This injected a substantial amount of HKD liquidity, causing the HK aggregate balance (a key gauge of HKD liquidity) to surge from HKD 45bn to HKD 173bn within just a few days. As a result, front-end HKD liquidity conditions became excessively loose, with overnight HKD HIBOR plummeting to near zero and expectations of low rates extending into longer tenors. The sharp decline in HKD interest rates, in parallel to the absence of Fed rate cuts (Fed funds target rate remains at 4.25-4.5%), has widened the USD-HKD rate differential, creating opportunities for long USD carry trades. Consequently, HKD spot has been depreciating from 7.75 to above 7.83 level quickly in the same month.

In the meantime, the large-scale IPO projects and dividend payouts flow from Chinese corporates listed in HK failed to support the HKD demand. The Contemporary Amperex Technology Co Ltd (CATL) raised HKD 41bn in its debut, becoming the largest IPO listing in the global market this year. The Southbound Stock Connect inflow to HK held relatively steady around HKD 600bn, ending the strong uptrend so far this year. On the data front, HK GDP growth for Q1 picked up to 3.1%YoY on the recovery in tourism and the spike in exports before US's tariffs implementation. The unemployment rate for April climbed to 3.4% from 3.2% amid escalating external uncertainties.

2. Outlook for This Month

Under the USD-HKD peg, the current low HKD rates will not be sustainable without Fed rate cuts. With the previous HKD liquidity injection remaining in the interbank market, the HKD liquidity is expected to stay flush unless HKMA reverses its FX intervention to drain HKD liquidity at 7.85 or increases the issuance of Exchange Fund Bills (EFBs). As falling HKD rates provide support to HK economy and property market, the HKMA has limited incentive to tighten HKD liquidity via extra EFBs issuances but let HKD spot depreciate towards 7.85 level, potentially as soon as next month. Front-end HKD rates will be particularly sensitive to the scale of FX intervention. Given the broader USD downtrend, we anticipate that HKD liquidity withdrawal at 7.85 will be smaller than the liquidity injection at 7.75. While HKD HIBOR is expected to rebound in June, it is unlikely to return to previous levels around 4%, considering the net expansion in the HKD liquidity pool. Moreover, delays in Fed rate cut expectations will provide relative support to longer-tenor HKD rates compared to shorter tenors. Structurally the lackluster HK loan demand on clouding HK economy outlook amid tariff rout will suppress HKD rates and maintain USD-HKD rate premium, unless the falling HKD rates successfully reinvigorate property demand. As a result, the HKD spot could revert to mid-point of the trading band at 7.8 level in coming months, while the likelihood of a return to the 7.75 level appears slim under current conditions.

Sae Sueyoshi, Treasury Department, MHBK (China)

Chinese Yuan – June 2025

Expected Ranges	**Against the US$: CNY 7.1000–7.3500**
	Against the yen: JPY 19.20–20.80

1. Review of the Previous Month

In May, the U.S. dollar/Chinese yuan exchange rate fell, reaching the lowest rate of the year.

After China's Labour Day holidays, the U.S. dollar/Chinese yuan exchange market opened trading at the CHY 7.23 level on May 6. On May 2, in the middle of the consecutive holidays, the Ministry of Commerce of China announced that it might potentially hold trade negotiations with the U.S. Furthermore, on May 6, before the market opened, the People’s Bank of China (PBOC) reported that there would be an announcement about a monetary policy package. As these fueled expectations for the start of trade negotiations between the U.S. and China and for the recovery of the domestic economy in China, U.S. dollar-selling strengthened, and the U.S. dollar/Chinese yuan exchange market opened with a Chinese yuan stronger than the closing rate of April 30 by more than 300 pips. During the daytime of May 6, market participants continued actively buying the Chinese yuan, and thus the U.S. dollar/Chinese yuan exchange rate fell to approach CNY 7.21. Thereafter, on May 7, the details of the monetary easing policy were revealed, which supported the U.S. dollar/Chinese yuan exchange rate. As a result, the U.S. dollar/Chinese yuan exchange market closed trading at around CNY 7.24 on May 9.

On May 12, the U.S. dollar/Chinese yuan exchange market opened trading at the mid-CNY 7.22 level. After the trade negotiations held between the U.S. and China over the weekend, the media reported in the afternoon of the same day that the tariffs would be lowered by 115% for both countries. In reaction, the U.S. dollar/Chinese yuan exchange rate fell sharply to approach the CNY 7.20 level. On May 13, the following day, the U.S. dollar/Chinese yuan exchange rate fell to the mid-CNY 7.18 level immediately after the market opened. Thereafter, the U.S. dollar/Chinese yuan exchange rate continued to fluctuate at around the CNY 7.20 level without moving in any direction throughout the second half of the month.

Thereafter, on May 20, the Loan Prime Rate (LPR) was cut by 10 basis points, which led the U.S. dollar/Chinese yuan exchange rate to rise to the mid-CNY 7.22 level after the market opened. However, market participants sold the U.S. dollar against other major currencies subsequently due to growing concerns over fiscal deficits in the U.S. Furthermore, the PBOC central parity rate was set at the stronger Chinese yuan level of CNY 7.19 on consecutive days. As a consequence, the U.S. dollar/Chinese yuan exchange rate remained low, and on May 23, the U.S. dollar/Chinese yuan exchange rate temporarily fell below the CNY 7.18 level.

In the last month of the month, as well, the U.S. dollar/Chinese yuan exchange rate continued to fluctuate at around the CNY 7.19 level. On May 28, the U.S. dollar/Chinese yuan exchange market closed trading at the upper-CNY 7.19 level.

2. Outlook for This Month

The U.S. dollar/Chinese yuan exchange rate is forecast to remain high and stable in June, although some fluctuations are to be expected in response to headlines in the news media.

In May, the tariffs were lowered after trade negotiations between the U.S. and China, and this encouraged market participants to buy the Chinese yuan against the U.S. dollar. The three-month partial tariff reduction will end in the middle of August. Thus, it is highly likely for the U.S. dollar/Chinese yuan exchange rate to move rapidly in both directions in the times ahead, depending on the contents of headlines in the news media, as has been the case so far. Market participants are thus advised to remain cautious of news related to the trade negotiations.

Market participants are now looking for new factors to lead the U.S. dollar/Chinese yuan exchange market. Under such a circumstance, the U.S. dollar/Chinese yuan exchange rate is likely to fluctuate increasingly on the basis of interest rate differentials between the U.S. and China rather than on U.S. dollar-selling resulting from a sense of uncertainty over the trade and fiscal policy measures of the U.S., even though such is likely to continue to be one of the factors weakening the U.S. dollar in the long term. In China, the seven-day repo rate and the LPR were cut in May, and this is likely to keep Chinese yuan interest rates low. In the U.S., on the other hand, the Federal Reserve Board (FRB) remains cautious about policy interest rate cuts, fueling concerns over a rise in long-term interest rates resulting from the expansionary fiscal policy. Thus, it is difficult for the interest rate differentials between the U.S. and China to narrow, which is likely to lead the U.S. dollar/Chinese yuan exchange rate to continue rising in the coming month.

It is also worth noting that the Chinese monetary authorities are maintaining an attitude not to accept violent fluctuations in the market, despite the fact that the gap between the PBOC central parity rate and the market exchange rate has narrowed after the sharp drop of the U.S. dollar/Chinese yuan market exchange rate. Therefore, market participants are advised to remain attentive to the PBOC central parity rate.

Ayumi Kiyota, Asia & Oceania Treasury Department

Singapore Dollar – June 2025

Expected Ranges **Against the US$: SG$ 1.2800–1.3200**
Against the yen: JPY 110.00–114.50

1. Review of the Previous Month

In May, the U.S. dollar/Singapore dollar exchange rate fell.

At the beginning of the month, the U.S. dollar/Singapore dollar exchange market opened trading at the upper-SGD 1.30 level on May 1. It was a national holiday in Singapore, and market participants actively bought the U.S. dollar, as the April ISM Manufacturing Purchasing Managers' Index (PMI) of the U.S. had exceeded the market estimate. However, on May 2, the following day, the U.S. dollar/Singapore dollar exchange rate started to fall and approached SGD 1.29 during the trading hours of local time both in Asia and Europe. Thereafter, the April employment statistics for the U.S. turned out to be robust, in response to which the U.S. dollar/Singapore dollar exchange rate rallied and temporarily approached SGD 1.30. However, this trend did not last for a long time, and the U.S. dollar/Singapore dollar exchange rate fell below the SGD 1.29 level again. Subsequently, market participants started to actively buy the U.S. dollar, as various economic indices for the U.S. were announced and as a Federal Open Market Committee (FOMC) meeting was held without any surprise. As a result, the U.S. dollar/Singapore dollar exchange rate recovered to the SGD 1.30 level.

On May 12 local time in Asia, the media reported that the U.S. and China had reached an agreement to suspend the tariffs, which encouraged market participants to buy the U.S. dollar further, and the U.S. dollar/Singapore dollar exchange rate rose to the upper-SGD 1.30 level. However, on May 14, the media reported that the U.S. and South Korea had dialogue about foreign exchange policy, which strengthened the Korean won as well as the overall Asian currencies. Following this trend, the U.S. dollar/Singapore dollar exchange rate fell to the SGD 1.29 level again. Thereafter, toward the second half of May, the U.S. dollar/Singapore dollar exchange rate fell slowly below the SGD 1.29 level, while fluctuating in both directions.

On May 23, while market participants were actively buying the Singapore dollar, the April Consumer Price Index (CPI) for Singapore was announced, and the result recorded a rise from the previous month, both in terms of headline CPI and core CPI. Market participants saw this as a factor to buy the Singapore dollar, and thus the U.S. dollar/Singapore dollar exchange rate fell slightly to the mid-SGD 1.28 level. In the last week of the month, market participants started to buy the Singapore dollar even more actively on May 26 local time in Asia. As a consequence, the U.S. dollar/Singapore dollar exchange rate momentarily reached SGD 1.28. This was triggered by the fact that during the previous weekend, U.S. President Donald Trump had announced his plan to impose tariffs on imports from the EU, starting on June 1. Thereafter, market participants bought back the U.S. dollar, and the U.S. dollar/Singapore dollar exchange rate returned to the SGD 1.29 level by May 28. On May 29, the media reported in the morning that the U.S. International Court of Trade had denied the lawfulness of the tariffs introduced by U.S. President Donald Trump. In reaction, the U.S. dollar/Singapore dollar exchange rate rose sharply and temporarily reached the upper-SGD 1.29 level. However, this was only a temporary trend, and the U.S. dollar/Singapore dollar exchange rate has been trading at around SGD 1.29.

2. Outlook for This Month

In June, the U.S. dollar/Singapore dollar exchange rate is forecast to rise slightly, while fluctuating in both directions in response to news related to policy measures under the Trump administration.

During the first half of May, there were relatively few policy measures announced by U.S. President Donald Trump, and in the middle of the month, there were some cases of compromise between the U.S. and China. As a result, market participants actively bought the U.S. dollar, and the U.S. dollar/Singapore dollar exchange rate was on an uptrend. However, this trend doesn't mean that the frictions between the U.S. and China or between the U.S. and other countries regarding the tariffs were resolved, and the market conditions are still full of sources of uncertainty. It seems that market participants are now less sensitive to policy measures announced by U.S. President Donald Trump compared to those in April when the first policy measure was announced. However, this is likely to remain an important factor that can cause fluctuations in the U.S. dollar/Singapore dollar exchange market. The tariffs on various countries have been suspended for 90 days. Under such circumstances, if the media reports headlines about cutting the reciprocal tariffs, the U.S. dollar/Singapore dollar exchange rate is likely to rise. On the other hand, if the media reports headlines that intensify uncertainty, the U.S. dollar/Singapore dollar exchange rate is likely to fall. In particular, it is important to note that the Singapore dollar is gradually building its status as a safe currency, which makes it likely for the Singapore dollar to outperform other currencies in Southeast Asia.

With regard to the domestic economy of Singapore, the first-quarter GDP of Singapore was announced on May 22, and the result turned out to be above the market estimate as well as above the figure observed in the previous month. However, the figure was still far below 2%, which is the target level. Furthermore, the Ministry of Trade and Industry of Singapore announced its GDP outlook, revealing an anticipated economic slowdown. In reaction, Prime Minister of Singapore Lawrence Wong also made a remark that it was not possible to control the risk of a recession. The PMI that had long been above the 50 mark also fell below 50 in the latest data for April for the first time since August 2023. Thus, private companies grew more aware of concerns over an economic slowdown. Now that the Monetary Authority of Singapore (MAS) has completely shifted toward monetary easing, the U.S. dollar/Singapore dollar exchange rate could not fall further, as it has already fallen substantially based on the depreciation of the U.S. dollar. For this reason, market participants are expected to shift toward U.S. dollar-buying in the times ahead.

Kenta Suehiro, Bangkok Treasury Office, Asia & Oceania Treasury Department

Thai Baht – June 2025

Expected Ranges **Against the US$: THB 32.50–33.80**
Against the yen: JPY 4.30–4.50

1. Review of the Previous Month

In May, the U.S. dollar/Thai baht exchange rate remained low, reaching the THB 32 level for the first time since October last year.

At the beginning of the month, the U.S. dollar/Thai baht exchange market opened trading at the mid-THB 33 level. On May 2, after a national holiday in Thailand, the NT dollar appreciated sharply because of speculations regarding the tariff negotiations between the U.S. and Taiwan. This impacted many other Asian currencies. Furthermore, the media reported the possibility of trade negotiations between the U.S. and China. Consequently, the U.S. dollar/Thai baht exchange rate fell to approach THB 33. On the same day, the April employment statistics for the U.S. were released with strong figures. However, the U.S. dollar/Thai baht exchange rate continued falling. Subsequently, on May 6, the U.S. dollar/Thai baht exchange reached the mid-THB 32 level. However, on May 7, the People's Bank of China (PBOC) announced its plan to cut the deposit reserve requirement ratio, and Federal Reserve Board (FRB) Chair Jerome Powell made a remark at the press conference after a Federal Open Market Committee (FOMC) meeting that the central bank was in no hurry to adjust its policy interest rate. As a result, the U.S. dollar/Thai baht exchange rate temporarily stopped falling and rallied gradually.

In the middle of the month, the media reported that the U.S. and China had reached an agreement to lower reciprocal tariffs for 90 days on May 12, and this mitigated concerns over trade matters. Under such circumstances, the U.S. dollar/Thai baht exchange rate continued rising to reach the mid-THB 33 level and remained at this level for a while. However, on May 16, a major ratings agency announced its decision to downgrade U.S. government bonds, and this fueled concerns over U.S. fiscal conditions. As a consequence, the U.S. dollar/Thai baht exchange rate started to fall again.

At the end of the month, the first-quarter GDP of Thailand was announced on May 19, and the result turned out to be above the market estimate. However, the annual outlook was revised downward, which temporarily led the U.S. dollar/Thai baht exchange rate to rise slightly. Thereafter, market participants gradually started to buy the Thai baht, as the Thai government had approved economic stimulus measures. Since there were also concerns over fiscal conditions in the U.S., the U.S. dollar/Thai baht exchange rate remained low. On May 26, the U.S. dollar/Thai baht thus temporarily reached the lower-THB 32 level. Yet, toward the end of the month, interest rates in the U.S. rallied, which led the U.S. dollar/Thai baht exchange rate to rally slightly. As of 1:00 p.m. local time in Bangkok on May 29, when this article was being written, the U.S. dollar/Thai baht exchange rate was fluctuating at the upper THB 32 level.

2. Outlook for This Month

In May, the first-quarter GDP of Thailand was announced, and the result was +3.1% year-on-year, which exceeded the market estimate, which was +2.9% year-on-year. However, looking at a breakdown, both personal consumption and governmental expenditures have declined from the previous figures for the fourth quarter of 2024. Thus, the result observed this month is considered to be based on a temporary increase in exports, anticipating the introduction of tariffs by the U.S. In the tourism sector, which is a major economic driver in Thailand, the number of foreign tourists recorded negative year-on-year growth for three consecutive months from February to April 2025. Given this situation, it is evident that the Thai economy is on a downtrend. At a recent monetary policy committee meeting held at the central bank of Thailand, the policy interest rate was cut for the second consecutive time. In a statement released at the same time as this decision as well, risks of an economic downturn are mentioned, mainly due to the sense of uncertainty over trade measures to be taken by major countries in the times ahead. This shows that the central bank of Thailand has been dovish. Under such circumstances, there are few factors to encourage market participants to continue buying the Thai baht. Therefore, the U.S. dollar/Thai baht exchange rate is forecast to fluctuate largely in response to trends in the U.S. dollar exchange market.

Trends surrounding the U.S. dollar have been even more volatile and difficult to predict due to concerns over the recent trade policy measures as well as the fiscal conditions of the U.S. Under such conditions, the U.S. dollar/Thai baht exchange rate is forecast to remain unstable. However, it is unlikely for the U.S. dollar/Thai baht exchange rate to continue falling, as there are not so many factors to encourage market participants to continue buying the Thai baht from a medium-term perspective.

Kazuhiro Suzuki, Mizuho Bank (Malaysia) Berhad

Malaysian Ringgit – June 2025

Expected Ranges	**Against the US$: MYR 4.1600–4.2700**
	Against the yen: JPY 33.00–34.30

1. Review of the Previous Month

In May, the U.S. dollar/Malaysian ringgit exchange market opened trading in May at the mid-MYR 4.32 level. Thereafter, the two-year U.S. government bond yield declined due to growing concerns over the economic outlook in the U.S., due to the issues related to the reciprocal tariffs. Following this trend, the U.S. dollar/Malaysian ringgit exchange rate also fell, reaching the upper-MYR 4.18 level on May 5—the lowest rate in the month. Subsequently, interest rates in the U.S. rallied, while the Federal Reserve Board (FRB) released a statement at the May Federal Open Market Committee (FOMC) meeting, emphasizing that the central bank was in no hurry to adjust its policy interest rate. Furthermore, on May 8, the central bank of Malaysia also held a monetary policy committee meeting, which concluded without any major surprise. As a consequence, market participants started buying back the U.S. dollar, and the U.S. dollar/Malaysian ringgit exchange rate rapidly returned to the MYR 4.28 level. Once there was some progress in the trade negotiations between the U.S. and the U.K., the U.S. dollar strengthened further, and the U.S. dollar/Malaysian ringgit exchange rate rose to reach the MYR 4.32 level. Thereafter, the U.S. dollar/Malaysian ringgit exchange rate returned to the MYR 4.30 level, as three consecutive holidays were approaching in Malaysia.

In the middle of the month, the U.S. and China reached an agreement to suspend 115% reciprocal tariffs for 90 days, which led interest rates to rise in the U.S. As a result, the U.S. dollar/Malaysian ringgit exchange rate rose sharply in the morning of May 13, from the upper-MYR 4.30 to approach the MYR 4.34 level, renewing the monthly high. The situation was seen by some as a sign that the U.S. had made a compromise for China. Therefore, with growing optimism, the U.S. dollar weakened further in the foreign exchange market. The first-quarter GDP of Malaysia turned out to be +4.4%, which was the same as the preliminary figure, recording a decline for the third-quarter period. However, this did not impact the foreign exchange market. Subsequently, the media reported that Moody's had revised its rating for the U.S. downward from the highest rank to a notch below. This encouraged market participants to continue selling the U.S. dollar in the second half of the month. Regarding the tax cut plan introduced by U.S. President Donald Trump, the media reported that the U.S. Congress had a problem in procuring funds, which raised long-term interest rates in the U.S. while weakening the U.S. dollar. As a result, on May 27, the U.S. dollar/Malaysian ringgit exchange rate fell to approach the MYR 4.20 level. However, some participants were aware that the Malaysian ringgit was approaching its highest level, which strengthened the U.S. dollar. Then, on May 29, the U.S. Court of International Trade ruled that the reciprocal tariffs were against the law. In reaction, market participants started to buy the U.S. dollar in an accelerated manner. As a result, the U.S. dollar/Malaysian ringgit exchange rate rose to temporarily reach the upper-MYR 4.24 level.

2. Outlook for This Month

In June, the U.S. dollar/Malaysian ringgit exchange rate is forecast to be generally low, as the U.S. dollar is likely to remain weak. However, the U.S. dollar/Malaysian ringgit exchange rate is also likely to be impacted by the progress of the trade negotiations between the U.S. and Malaysia after the 90-day suspension of the reciprocal tariffs that is to end on July 9.

What remains worrying is the possibility of differences between the U.S. and Malaysia in terms of their standpoints on trade affecting the outcome of the negotiations. From the viewpoint of Malaysia, the U.S. is the second largest export destination followed by Singapore according to the trade statistics for 2024. From the viewpoint of the U.S., Malaysia is not as impactful as other countries, even though Malaysia is one of the U.S.'s top 20 trade partners. Furthermore, U.S. President Donald Trump made a remark to underline that it was not possible to negotiate with all the trade partners. Supposing that this is taken literally, in the worst-case scenario, it is possible for the U.S. to prioritize negotiations only with the top 10 trade partners for imports and to apply the tariffs announced in April to all the other countries. If that happens, market participants are likely to grow pessimistic about the outlook for the Malaysian economy again, and this makes the downward pressure on the Malaysian ringgit more powerful than that on the U.S. dollar in market transactions. However, it seems more likely for Malaysia to have a chance to negotiate with the U.S., as U.S. companies, such as Amazon, invest in Malaysia to a significant degree, making the country too important to be categorized as "the rest of the world." It is also important to note that the media reported at the end of last month that the U.S. Court of International Trade had ruled that the tariffs introduced by the Trump administration were unlawful. This is likely to be an important factor in the market in the times ahead. Therefore, from the viewpoint of profitability, the Malaysian ringgit is likely to perform relatively better than the U.S. dollar, as there are growing concerns regarding deteriorating U.S. fiscal conditions and a U.S. economic downturn.

Tomokazu Moriya, Asia & Oceania Treasury Department

Indonesian Rupiah – June 2025

Expected Ranges	**Against the US$: IDR 16,000–16,600**
	Against the yen: JPY 0.8600–0.9100 (IDR 100)

1. Review of the Previous Month

In May, the U.S. dollar/Indonesian rupiah exchange rate fell.

At the beginning of the month, the U.S. dollar/Indonesian rupiah exchange market opened trading at the lower-IDR 16,600 level on May 2. Thereafter, market participants bought the overall Asian currencies against the U.S. dollar based on expectations for the mitigation of the trade frictions between the U.S. and China. As a result, the U.S. dollar/Indonesian rupiah exchange rate fell to the lower-IDR 16,400 level. From May 6 to May 7, the depreciation of the U.S. dollar slowed down as a Federal Open Market Committee (FOMC) meeting was approaching, and thus the U.S. dollar/Indonesian rupiah exchange rate rallied to the lower-IDR 16,600 level. However, on May 8, the sense of excessive caution eased regarding the tariff policies of U.S. President Donald Trump. As a consequence, toward the end of the day, the U.S. dollar/Indonesian rupiah exchange rate fell gradually. Market participants sold the U.S. dollar in the overall foreign exchange market, and the U.S. dollar/Indonesian rupiah exchange rate fell to the IDR 16,400 level again. On May 9, the outcome of the trade negotiations between the U.S. and the U.K. improved the market sentiment, and market participants bought back the U.S. dollar. Consequently, the U.S. dollar/Indonesian rupiah exchange rate recovered to the IDR 16,500 level.

From May 14 to May 16, the U.S. dollar weakened, as several economic indices were announced for the U.S., and the results turned out to be weaker than the market estimate. As a result, the U.S. dollar/Indonesian rupiah exchange rate fell to the IDR 16,400 level.

From May 19 to May 20, market participants maintained a wait & see attitude, as the central bank of Indonesia was scheduled to hold a monetary policy meeting in the middle of the week. Therefore, the U.S. dollar/Indonesian rupiah exchange rate did not move in any direction. On May 21, the central bank of Indonesia held its monetary policy meeting, and the seven-day reverse repo rate, which is the primary policy interest rate of Indonesia, was cut by 0.25% to 5.50%. The central bank of Indonesia thus started to cut its policy interest rate again, in order to support the economy, as the price outlook has been under control, while the downward pressure on the Indonesian rupiah has been mitigated. However, because this decision had been anticipated in the market before the meeting, there was little market reaction to this news. From May 22 to May 23, market participants actively sold the U.S. dollar based on concerns over fiscal conditions in the U.S., and the U.S. dollar/Indonesian rupiah exchange rate fell to the lower-IDR 16,200 level.

On May 26, market participants continued to sell the U.S. dollar even more vigorously, and the U.S. dollar/Indonesian rupiah exchange rate fell to temporarily touch the mid-IDR 16,100 level. However, the U.S. dollar/Indonesian rupiah exchange rate started to rally gradually thereafter. On May 28, the U.S. dollar/Indonesian rupiah exchange rate temporarily recovered to the IDR 16,300 level, as the Consumer Confidence Index (CCI) of the U.S. announced on the previous day local time in the U.S. had increased.

2. Outlook for This Month

In June, the U.S. dollar/Indonesian rupiah exchange rate is forecast to remain high and stable.

At its monetary policy meeting held in May, the central bank of Indonesia decided to cut its BI rate—the policy interest rate of Indonesia—by 25 basis points to 5.50%. Since the unexpected policy interest rate cut in January, the central bank of Indonesia had been waiting for the opportunity to cut its policy interest rate. However, as the Indonesian rupiah continued depreciating, it was difficult for the central bank to additionally make the cut. However, since the second half of April, market participants started to vigorously sell the U.S. dollar in the overall foreign exchange market, which slowed down the pace of the depreciation of the Indonesian rupiah, allowing the central bank to make the decision to start cutting its policy interest rate again. After the monetary policy meeting, the central bank of Indonesia released a statement to revise the GDP growth outlook for 2025 slightly downward from 4.7–5.5% to 4.6–5.4%. As the governor of the central bank of Indonesia, Perry Warjiyo, made a remark such that he would find more opportunities to further cut the policy interest rate to support the economy, there have constantly been serious concerns over an economic slowdown, partially due to the tariffs announced by U.S. President Donald Trump. Therefore, it is likely for the central bank of Indonesia to cut its policy interest rate further in the times ahead unless the Indonesian rupiah depreciates significantly, even though it also depends on the level of the U.S. dollar/Indonesian rupiah exchange rate.

In May, the Indonesian rupiah appreciated significantly against the U.S. dollar. This is partially because of domestic factors in Indonesia, such as the fiscal balance that recorded a surplus in April, while it had recorded a deficit in the January–March quarter period. However, the appreciation of the Indonesian rupiah seems to be more strongly related to the depreciation of the U.S. dollar based on the reciprocal tariff policy and fiscal concerns in the U.S. that led the Indonesian rupiah to rally in relative terms. Thus, the upward pressure on the Indonesian rupiah is not likely to be sustainable under the current conditions. It is unlikely for market participants to buy the Indonesian rupiah as long as the domestic economy of Indonesia remains weak with remaining possibility of additional policy interest rate cuts.

Shunsuke Fukuda, Manila Treasury Office, Asia & Oceania Treasury Department

Philippine Peso – June 2025

Expected Ranges **Against the US$: PHP 55.00–56.50**
Against the yen: PHP 0.375–0.395

1. Review of the Previous Month

In May, the U.S. dollar/Philippine peso exchange rate saw the highest rate for the Philippine peso in the year while fluctuating in both directions.

At the beginning of the month, the U.S. dollar/Philippine peso exchange market opened trading at PHP 55.90. The U.S. economic indices remained weak, and the U.S. dollar remained weak globally. Following this trend, the U.S. dollar/Philippine peso exchange rate continued falling. On May 6, the April price statistics for the Philippines revealed a decline for the fourth consecutive month, with +1.4%, while the previous month's result was +1.8% and the market estimate was also +1.8%. Furthermore, on May 8, the first-quarter GDP of the Philippines turned out to be +5.4%, while the previous quarter's result was +5.3% and the market estimate was +5.7%. In the meantime, the U.S. dollar/Philippine peso exchange rate continued to fluctuate in both directions, temporarily falling to reach PHP 55.215. However, the U.S. dollar/Philippine peso exchange rate did not remain low for a long time. Thereafter, the U.S. dollar/Philippine peso exchange rate continued to fluctuate mainly within a range between the mid-PHP 55 level and the upper-PHP 55 level until the second half of the month.

It is also important to note that a midterm election was held throughout the country of the Philippines on May 12. However, its impact on the foreign exchange market was minimal. On the contrary, market participants immediately reacted by buying the U.S. dollar when the media reported an easing of the tensions between the U.S. and China regarding the reciprocal tariffs. As a result, the fluctuation range of the U.S. dollar/Philippine peso exchange rate was pushed upward to the upper-PHP 55 level. Thereafter, there were no more factors to impact the U.S. dollar/Philippine peso exchange market. Under such circumstances, the U.S. dollar/Philippine peso exchange rate did not move in any direction. Then, on May 23, the governor of the central bank of the Philippines, Eli Remolona, made a remark to reveal a plan to slow down monetary easing, and this encouraged market participants to buy the Philippine peso. This trend led the U.S. dollar/Philippine peso exchange rate from the PHP 55.60 level to PHP 55.143, renewing the highest rate for the Philippine peso since the beginning of the year. Toward the end of the month, the U.S. dollar/Philippine peso exchange rate rallied and continued fluctuating within a range between the mid-PHP 55 level and the upper-PHP 55 level.

2. Outlook for This Month

It may take some more time for market participants to start buying back the U.S. dollar in a serious manner. The U.S. dollar/Philippine peso exchange rate is forecast to continue fluctuating at the upper-PHP 55 level.

The governor of the central bank of the Philippines, Eli Remolona, made a comment on May 7 such that the inflation pressure had come under control and that he was considering cutting the policy interest rate at least by 0.75% before the end of 2025. However, in the second half of the month, his remarks changed and generally implied a delay in monetary easing by stating that there would be at least two more policy interest rate cuts (0.5%) by the end of 2025 but that it would be unnecessary to cut the policy interest rate in consecutive months, while explaining that the deposit reserve requirement ratio for financial institutions would be cut next year. As a result, the pressure to buy the Philippine peso strengthened, and the Philippine peso renewed its highest rate since the beginning of the year. However, the U.S. dollar/Philippine peso exchange rate has not fallen below the PHP 55 level, which is the psychological turning point that has not been reached since August 2023.

On the other hand, market participants started to rapidly buy back the U.S. dollar when the media reported that the U.S. Court of International Trade ruled that the tariffs announced in the U.S. were against the Constitution. However, it is still too early to predict whether the trend of buying back the U.S. dollar will continue in the times ahead. At the beginning of June, the price statistics for the Philippines will be out, and the central bank of the Philippines will hold a monetary policy meeting in the middle of June. Thus, depending on the outcomes of these key events, it is possible for the U.S. dollar/Philippine peso exchange rate to move in both directions. Without stability in the U.S. economic indices in the times ahead, the U.S. dollar/Philippine peso exchange rate is likely to continue to mainly fluctuate at the upper-PHP 55 level for a while.

Shuhei Watahiki, India Treasury Office, Asia & Oceania Treasury Department

Indian Rupee – June 2025

Expected Ranges	**Against the US$: INR 84.00–86.50**
	Against the yen: JPY 1.58–1.78

1. Review of the Previous Month

In May, the Indian rupee depreciated slightly against the U.S. dollar.

In May, the U.S. dollar/Indian rupee exchange market opened trading at the upper-INR 83 level. At the beginning of the month, the Reserve Bank of India (RBI) intervened in the foreign exchange market to keep the U.S. dollar/Indian rupee exchange rate from falling, and the Indian rupee depreciated, leading the U.S. dollar/Indian rupee exchange rate to reach the INR 84 level once again, also because of some transactions based on actual demand. In the middle of the month, the U.S. dollar/Indian rupee exchange rate exceeded the INR 85 level. Furthermore, the Indian rupee depreciated significantly due to the intensification of the tensions with Pakistan. Toward the end of the month, pressure to buy the U.S. dollar strengthened, as the frictions regarding the U.S. tariffs between the U.S. and various other countries eased, and the Indian rupee weakened against the U.S. dollar. As a consequence, the U.S. dollar/Indian rupee exchange rate exceeded the INR 86 level. However, the RBI intervened in the foreign exchange market thereafter to keep the U.S. dollar/Indian rupee exchange rate from rising further. Thus, the U.S. dollar/Indian rupee exchange rate remained flat without excessive depreciation of the Indian rupee. In the end, the U.S. dollar/Indian rupee exchange market closed trading for May at the lower-INR 85 level (as of May 26).

The BSE Sensex opened trading at the lower-80,000 level. Thereafter, the BSE Sensex continued to fluctuate within a narrow range between the 80,000 level and the 81,000 level without moving significantly in any direction. However, there was some partial pressure to sell Indian stocks due to the trend relating to India and Pakistan, and this brought the BSE Sensex to the 78,000 level. In the middle of the month, the BSE Sensex seemed to have bottomed out, after which the trend was reversed, and the U.S. dollar/Indian rupee exchange started to rise and recover to the 82,000 level. Toward the end of the month, market participants sold the Indian rupee in order to take profit, which led the U.S. dollar/Indian rupee exchange rate to fall gradually. However, the U.S. dollar/Indian rupee exchange rate stabilized at the 80,000 level, and monthly trading closed at this level as well (as of May 26). Also, investment capital inflow from foreign investors into the Indian stock market recorded a net buy on a single-month basis, slowly showing some signs of recovery.

In terms of the economic indices of India, the April manufacturing Purchasing Managers' Index (PMI) and services PMI recorded positive growth. In addition, the April Consumer Price Index (CPI) turned out to be +3.16% year-on-year, recording a decline from the +3.34% observed in the previous month. Also, the April trade balance revealed an increase in the deficit, making India a constantly debt-prone country.

2. Outlook for This Month

In June, the Indian rupee is forecast to gradually depreciate against the U.S. dollar.

In June, the Indian rupee is forecast to slowly depreciate against the U.S. dollar, while the U.S. dollar/Philippine peso exchange rate is forecast to remain stable at the INR 85 level. Even though there have been various reactions to the tariff policies announced by U.S. President Donald Trump, such trade frictions have been slowly mitigated. From a short-term perspective, therefore, the U.S. dollar/Indian rupee exchange rate is expected to remain low. However, the Indian rupee is likely to start depreciating generally and slowly, because of transactions based on actual demand as well as due to the pressure caused by foreign exchange interventions by the RBI to keep the U.S. dollar/Indian rupee exchange rate from falling further.

At a monetary policy committee (MPC) meeting held in April, a unanimous decision was taken to cut the policy interest rate for the second consecutive month after approximately five years. As a result, the policy interest rate of India was set at 6.00%. The policy stance was also revised toward monetary easing, from neutral. Since the last CPI indicates a downtrend, it is possible for the central bank to cut its policy interest rate consecutively at the MPC meeting to be held in June. Market participants are therefore advised to pay attention to remarks by the governor of the central bank of India regarding the timeline for the policy interest rate cut.

This year, one of the most-important topics in the market is monetary policy in the U.S. and Japan, as this has strengthened pressure to sell the U.S. dollar. However, market participants have not been selling the U.S. dollar as rapidly and significantly as expected due to growing concerns over the uncertainty and opacity regarding the tariff policy under U.S. President Donald Trump. The U.S. dollar/Indian rupee exchange rate has been fluctuating more violently than in the past, with a high level of volatility, based on the flexible attitude of the RBI. On the other hand, however, the domestic monetary policy of India is to continue cutting the policy interest rate. It will thus be easier for the Indian rupee to depreciate against the U.S. dollar in the times ahead.